



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR APRIL 15, 2011

NATURAL GAS MARKET NEWS

North America

The Canaport LNG import terminal in New Brunswick, Canada will be shut for one month at the beginning of May in order for operators to carry out maintenance on a valve. The terminal has a normal capacity of 1.2 bcf/d.

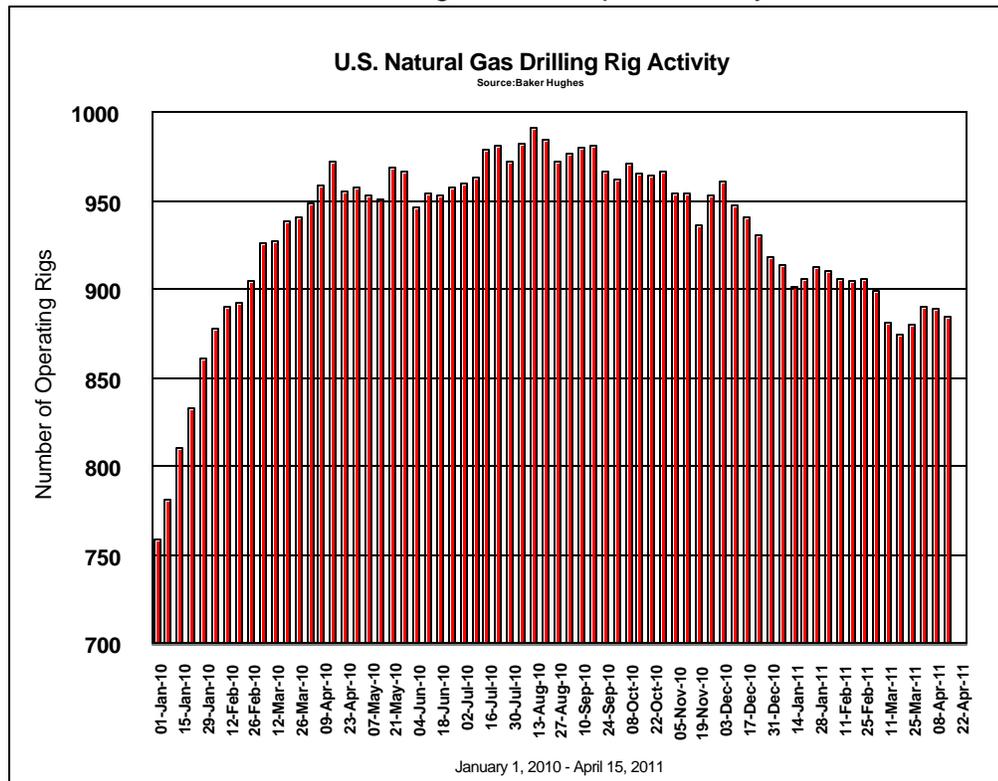
Generation Outages

SERC – The TVA's 1104 Mw Browns Ferry #2 nuclear unit ramped up to 92% Friday, up some 27% from the day before.

The NRC reported this morning that some 74,281 Mw of nuclear generation capacity is online, down 0.2% from yesterday and down 5% from a year ago.

Baker Hughes reported that the number of drilling rigs searching for natural gas in the United States fell by four this week to 885, the second straight weekly decline. The number of horizontal rigs operating in the country slipped by six to 1003, after reaching a record high two weeks ago.

The Canadian National energy Board reported that for the period of November 1, 2010 through January 31, 2011 Canadian natural gas pipeline deliveries to the United States grew by 4.6% to 935.6 bcf vs 894.8 bcf delivered during the same period last year. The NEB also noted that northbound pipeline deliveries from the United States to Canada grew by 36% to 88.3 bcf in January while southbound exports in January reached 363.4 bcf, up 11% from a year ago. The increase in northbound flows is seen the result of rising tolls on TransCanada's Mainline to Ontario and Quebec as well as cheaper supplies coming the U.S. Rocky Mountains and shale regions.



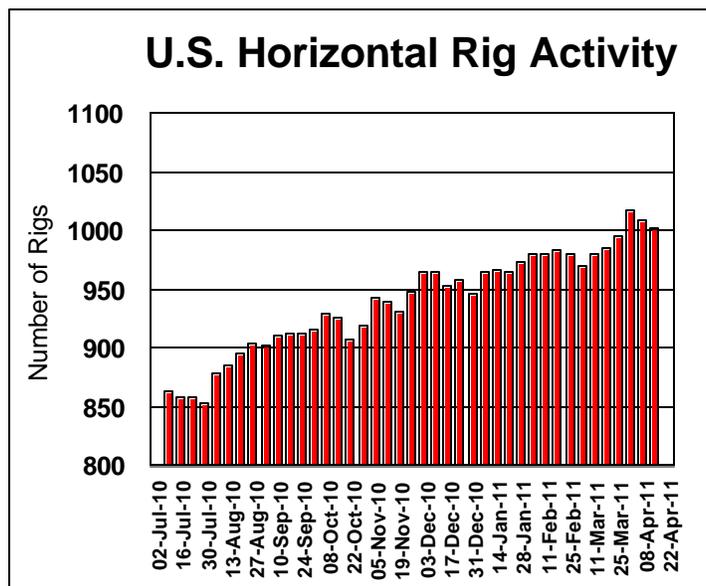
Chesapeake Energy announced Friday that it would pay \$315

million to buy Bronco Drilling, as the company seeks to own two-thirds of the rigs it operates in its unconventional drilling program. Bronco owns 22 drilling rigs that primarily operate in the Williston and Anadarko basins, including three that are under contract to Chesapeake.

International

BBL reported that capacity on the Dutch-British gas interconnector was increased to 20.6 million kwh per hour on Friday after the company had completed successful testing of a fourth compressor on the line. The new enhanced capacity of the line will be approximately 45 mcm/d. The start of the fourth compressor station has been delayed several times due to technical difficulties.

Chinese authorities announced Friday that China imported 6.3 bcm of natural gas in the January-March period, more than double the volumes of a year ago. Imports via the pipeline from central Asia accounted for 3.1 bcm, while imports via LNG shipments accounted for 3.2 bcm. The nation produced 27.4 bcm in the first quarter, an increase of 12.1%.



Azerbaijan’s gas output fell 3.1% in the first quarter of this year versus a year ago reaching only 6.33 bcm. The government gave no reason for the decline. Last year the country saw its natural gas output increase by 11% from the previous year.

ELECTRIC MARKET NEWS

German Chancellor Merkel said Friday that Germany’s move away from nuclear energy will require the construction of new gas and coal fired power plants.

chemical is too aggressive and could put the reliability of the nation’s electric grid at risk. The EPA has proposed a three-year schedule for power plants to comply with new pollution rules. The EPA is seeking many coal fired power plants to install scrubbers and other technologies to cut the levels of arsenic, chromium, nickel and acid gases in addition to mercury escaping through smokestacks as well as reaching water supplies.

U.S. utility executives today noted that the EPA’s timeline for implementing new rules requiring utilities to reduce emissions of toxic

The New Jersey Board of Public Utilities on Friday protested a federal ruling this week that may keep the state’s electric rates higher than they need to be by more than \$1 billion per year. New Jersey had been looking to allow ratepayers to subsidize construction of three new power plants with a capacity of some 2000 Mw, but with out this allowance regulators view it will be uneconomical to build new generation in the state and thus increasing rates for consumers over the next 15 years. The FERC has approved proposed provisions to PJM’s capacity market model, which includes a key provision that allows setting minimum price sellers of new capacity can bid that capacity into the market. The state regulators note that the PJM pricing model causes New jersey rate payers to pay substantially higher prices for electricity than most other states in PJM, due in part to the extra capacity and congestion charges levied under PJM’s Reliability Pricing Mode.

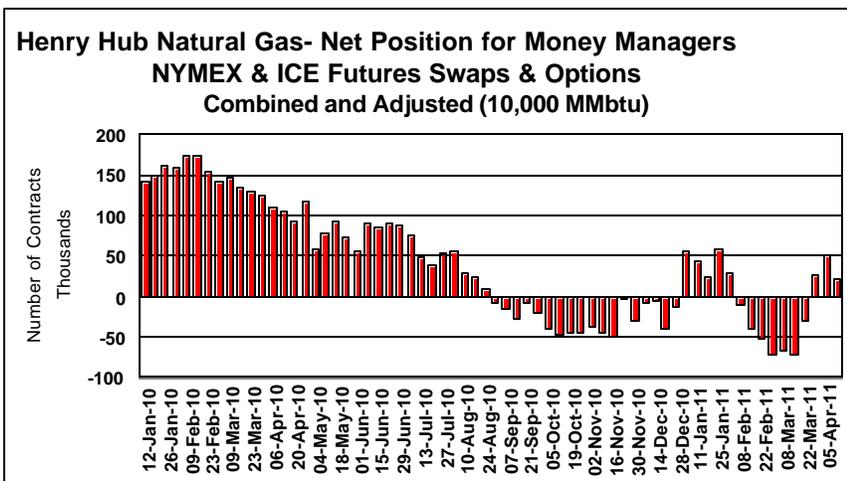
ECONOMIC NEWS

The Federal Reserve announced today that U.S. industrial production in March increased by 0.8% on the month some 0.3% better than market expectations.

The US Labor Department said US consumer prices continued rising in March as gasoline and food prices moved higher. It said the seasonally adjusted Consumer Price Index in March increased by 0.5% from February following a 0.5% increase in February. On an annual basis, prices were up 2.7% in March, the highest level since December 2009. However underlying inflation, which excludes energy and food prices, increased by only 0.1% in March from February. The energy index increased 3.5% in March from February.

The New York Federal Reserve said its Empire State general business conditions index increased to 21.7 in April from 17.5 in March. The index for the number of employees increased to 23.1, its highest level since May 2004 from 9.09 in March. The prices paid index increased to 57.69, the highest level since August 2008 from 53.25.

The Thomson Reuters/University of Michigan's preliminary April reading on the overall index on consumer sentiment came in at 69.6, up from 67.5 in March. Its barometer of current economic conditions was at 82.7 in early April compared with 82.5 in March. Its gauge of consumer expectations increased to 61.2 from 57.9 in March. The survey's one year inflation expectation was unchanged at 4.6% while the survey's five to ten year inflation outlook was lower at 2.9% compared with 3.2% in March.



The US Treasury Department said private overseas investors led an increase in US securities in February. The US attracted a net inflow of \$97.7 billion from a downwardly revised \$30.6 billion in January. Net long term capital inflows moderated to \$26.9 billion in February compared to a downwardly revised \$51.1 billion.

Philadelphia Federal Reserve Bank President Charles Plosser said the US central bank could

move to tighten monetary policy this year if the recovery unfolds as he expects. Meanwhile, Chicago Federal Reserve President Charles Evans said tightening of Federal Reserve monetary policy this year is unlikely. He expects QE2 to end in June as originally announced. While he said that when it was launched late last year he entertained the possibility the program could be larger, the economy's solid performance has changed his calculations.

China's National Bureau of Statistics said the country's GDP increased by 9.7% on the year in the first quarter, down from 9.8% growth in the fourth quarter last year. China's economy expanded 2.1% from the previous quarter.

Harvard University hired former RBS Sempra president and chief trader Satu Parikh to head commodity investments at the endowment fund. He would be responsible for building and leading a portfolio management team focused on commodities at Harvard Management Co.

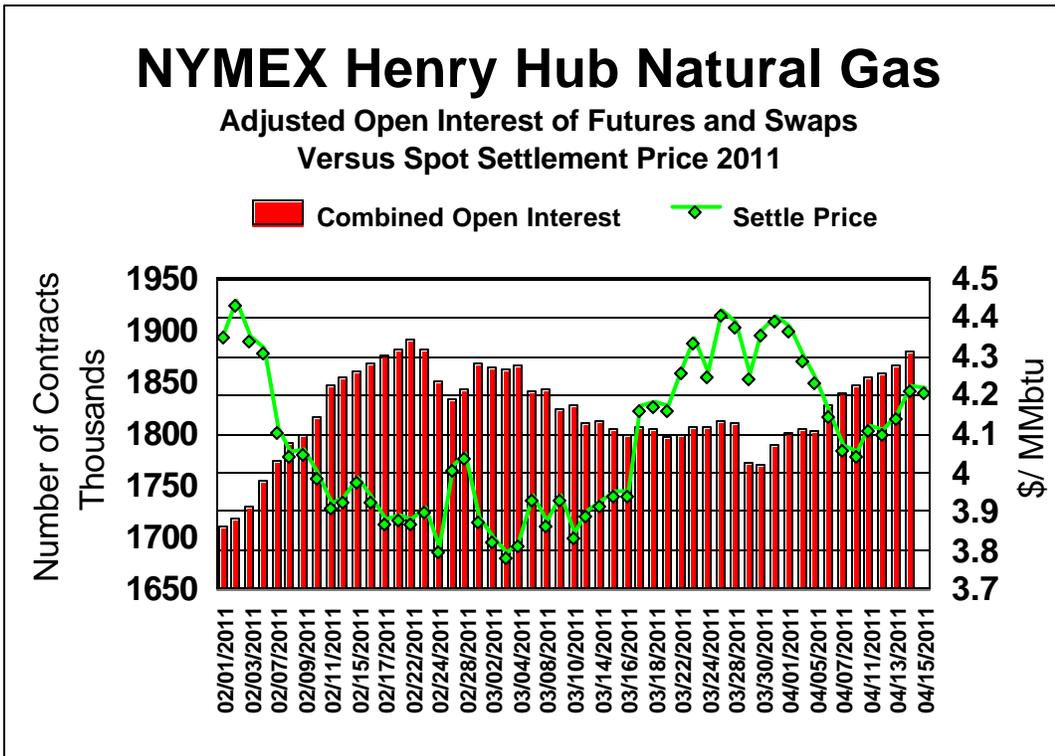
MARKET COMMENTARY

The natural gas futures market posted a relatively uninspired trading session today, as prices recorded an inside trading session in relatively light volume. While high levels of nuclear maintenance coupled with this afternoon's Baker Hughes report could be viewed as mildly supportive for the market the lack of any significant cooling or heating demand continues to act as an a weight around the neck of this market.

We continue to feel that this market has limited upside potential and would look to be a scale up seller from \$4.27-\$4.56, being more aggressive once the daily stochastics cross to the downside. We see initial resistance Monday at \$4.217 followed by \$4.26-\$4.275, \$4.342 and \$4.56. Support we see at \$4.173, \$4.12 and \$3.99. More distant support we see at \$3.855 and \$3.805 and \$3.71.

This afternoon's Commitment of Traders Report for the week ending April 12th showed that the commodity funds reduced their net long position by over 27,000 lots over the period. But it appears

that Thursday's EIA storage report may have sparked a renewal of this buying as open interest in the NYMEX swaps and futures increased by over 27,000 lots on the day on a combined and adjusted basis.



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